

Keeping up with the changes – NSW government initiatives for property buyers

As part of the budget delivered on Tuesday 21 June 2022, the NSW government announced some initiatives to help buyers get into the property market. As a consequence, things just got a bit more complicated for the solicitors advising those buyers!

First Home Buyer Choice

First home buyers, purchasing a new or existing home for up to \$1.5 million, will have the choice of paying either the existing upfront duty or an annual property tax. A first home buyer intending to build a home and purchasing vacant land for that purpose for up to \$800,000, will also have the choice of either duty or an annual property tax.

First home buyers will continue to be eligible for first home buyer stamp duty exemptions and concessions. Because first home buyers purchasing a new or existing home for up to \$650,000 are exempt from duty, they are not expected to choose the property tax.

For purchases of new or existing homes above \$650,000 and below \$1.5 million, eligible first home buyers can compare the applicable rates of duty and annual property tax and choose which best suits their circumstances.

The property tax option is scheduled to come into effect on 16 January 2023, however, eligible buyers who purchase a property after the property tax option is legislated but before the effective date, may be able to elect to pay the property tax and apply for a refund of duty paid.

Practice tips:

- ▼ Become familiar with the various thresholds and eligibility requirements so you can check that your clients are aware of their options
- ▼ Check the government and revenue websites including <https://www.nsw.gov.au/initiative/first-home-buyer-choice/common-questions> but be aware that some of the detail is yet to be determined
- ▼ Do not be tempted to provide financial advice. Let purchasers know if they are eligible to choose between paying duty or property tax but leave the choice to them. It may be appropriate to recommend that they seek financial advice from a licensed adviser. Your professional indemnity policy cover is for the provision of legal services, not financial services.



Shared Equity Scheme

Under the proposed Shared Equity Scheme, planned to commence in January 2023, the NSW Government will contribute up to 40 per cent of the purchase price of a property in exchange for an equivalent ownership share. The scheme is intended to assist eligible single parents with dependent children, singles older than 50 years and key worker first home buyers to purchase their own home.

The maximum NSW government equity contribution is up to 40 per cent of the purchase price of a new dwelling and up to 30 per cent of the purchase price of an existing dwelling. There are no required repayments on the equity contribution while you remain eligible for the scheme.

The minimum deposit is 2 per cent of the purchase price with no lenders mortgage insurance required.

The maximum value of property that can be purchased is \$950,000 in Sydney and major regional centres, and \$600,000 in other areas of NSW.

Practice tips:

- ▼ Check the government websites including <https://www.nsw.gov.au/housing-and-construction/shared-equity-scheme#toc-frequently-asked-questions> but be aware that some of the detail is yet to be determined
- ▼ While it is anticipated that applications will be made through an approved lending partner, at this stage it is not clear what additional steps may be required in the conveyancing process
- ▼ Buyers under the scheme may need to be advised of their obligations if they cease to meet the eligibility requirements
- ▼ Be aware that there are likely to be additional steps to be undertaken in the conveyancing process when scheme properties are eventually sold.